

FINANCIAL MANAGEMENT PERFORMANCE PLAN FISCAL YEAR 2004

OVERVIEW

Since the passage of the Chief Financial Officers (CFO) Act in 1990, the Department of the Treasury has made significant progress in improving financial management. The longer-term, financial management initiatives have been incorporated into the Treasury-wide Strategic Plan and reference the financial initiatives of the President's Management Agenda. The related performance results have been reported in both the Department's comprehensive FY 2002 Performance and Accountability Report and the audited Treasury-wide Accountability Report. The ensuing discussion constitutes the OMB Circular No. A-11, Section 52 requirement for Information on Financial Management.

The financial management vision statement and the performance strategies/goals are listed below. Also, following is a discussion of the financial management systems structure, the impediments to the submission of the required annual audited financial statements, and significant financial management accomplishments for FY 2002.

VISION STATEMENT

Building a strong institution that ensures sound financial management and stewardship of all Treasury accounts.

GOALS AND STRATEGIES

Improve Financial Accountability -- Develop the systems capability and accounting methodology to provide accurate, timely, and unqualified audit opinions on Departmental financial statements, with full cost accumulation aligning strategic plans, budgets, resources, and accounting data for all Treasury programs and activities, to facilitate internal analysis, resolve known material weaknesses, prevent new material weaknesses, and enhance external financial statement reporting.

- Deliver the FY 2002 Accountability Report to the Congress and OMB by November 15, 2002 and maintain an unqualified audit opinion.
- Reduce the number of open material weaknesses and prevent new findings by performing various internal control activities.
- Implement managerial cost accounting practices by aligning strategic plans, budgets, and accounting data.
- Review the Departments payroll needs with the main focus on obtaining timely labor distribution information to provide the ability to link resources with program results.

Completion of these performance targets will ensure the Department's full compliance with the accounting and auditing requirements of the CFO Act, the Government Management and Reform Act (GMRA) of 1994, and the Federal Managers' Financial Integrity Act (FMFIA). They will also support the Department's efforts to fulfill the goals of the President's Management Agenda. Treasury's credibility as the central financial agency for the Federal Government will also be enhanced upon the achievement of these targets.

Improve Financial Performance -- Achieve Federal Financial Management Improvement Act (FFMIA) compliant financial management systems with standardized core data elements and develop uniform financial management systems policies to enable all key Bureau financial data to be aggregated for improved analysis, reporting, and decision making.

- Complete the implementation of Treasury's Financial Analysis and Reporting System (FARS) which will provide bureau and Department managers with the information necessary to better manage the Department's resources. Full implementation of FARS will include the addition of key performance data and web-enabling the system for access by Treasury bureaus and Departmental Offices.
- Work with Treasury bureaus in the selection and implementation of financial management systems (e.g., core financial, enterprise resource planning, administrative, etc.) that meet their business requirements and are consistent with government-wide and Departmental policies (e.g. systems security and FFMIA).
- Improve the quality of financial data submissions and maintain the timeliness of closing within 3 days.

Completion of the above performance targets will position Treasury financial managers to develop a sound, efficient strategy and methodology for guiding the transition from stovepipe to fully integrated financial systems. Not only will the accuracy, timeliness, and usefulness of financial data be improved by these efforts, the initiatives may also lead to more cost-effective cross-servicing systems arrangements among Treasury bureaus and/or across other Federal agencies. As above, these targets support the President's Management Agenda.

PERFORMANCE PLAN SUMMARY

Performance against the two aforementioned strategies will be measured throughout FY 2003. The Treasury CFO Council will also use the information to refine the action plans for each of the identified performance goals.

IMPEDIMENTS TO THE SUBMISSION OF THE REQUIRED ANNUAL AUDITED FINANCIAL STATEMENTS

- ❑ **Maintain a timely, unqualified audit opinion on the Internal Revenue Service's (IRS) financial statements** - As the largest Treasury entity, the successful, timely completion of the IRS' financial statement audit is critical to both the Departmental and government-wide financial statements receiving unqualified opinions. The IRS, with assistance from the General Accounting Office, has made tremendous progress in accelerating its annual financial statement preparation and audit process. IRS received its second consecutive unqualified timely audit opinion on its FY 2001 financial statements, and received its third consecutive unqualified opinion on its FY 2002 statements while at the same time issuing those statements by November 15, 2002 – three and one-half months earlier than FY 2001's statements. While these accomplishments take a tremendous amount of effort to compensate for systems deficiencies, it is anticipated that future financial statement audits for both the IRS and the Department will be completed in a timely manner and will continue to result in unqualified opinions. (But, please refer to the paragraphs below for potential impediments.)
- ❑ **Establishment of the Department of Homeland Security** - The anticipated establishment of the Department of Homeland Security could adversely affect the Department's ability to complete the preparation and audit of its financial statements in a timely manner. This could also affect the level of audit assurance received. It is expected that several Treasury bureaus will become part of the new Department during FY 2003. The effects of this divestiture on FY 2003 financial reporting by the Department will need to be resolved early in calendar 2003 in order to properly plan for the preparation and audit of the Treasury's FY 2003 financial statements. Additionally, divesting major segments of the Department during the fiscal year raises the level of audit risk. Finally, the anticipated transfer of Departmental management oversight and audit functions/personnel to the new Department of Homeland Security would reduce the resources available for the preparation and audit of the Department's financial statements, which could affect the Department's ability to complete the preparation and audit of its financial statements in a timely manner.
- ❑ **Funding for the audit of FY 2003 financial statements** – The Department included a request for approximately \$5.9 million in its FY 2003 budget to fund FY 2003 financial statement audits at various Treasury bureaus. Funding is maintained at \$3.4 million in FY 2004 which reflects movement of the Customs Service piece to Homeland Security. It is pending final approval of the budget by Congress.
- ❑ **Weaknesses in financial management systems** – Several of the Department's bureaus have financial systems that do not comply with federal systems standards and are reported as material nonconformances under the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA). These systems do not readily produce timely, accurate financial data, which hampers the timely preparation and auditability of financial statements. While the affected bureaus have developed procedures to work around the limitations of their systems and produce timely, auditable financial statements, systems deficiencies continue to be a potential risk. Many of these deficiencies are long-standing and will take several years to correct. Plans are in place to address all deficiencies.

PLAN FOR FINANCIAL MANAGEMENT SYSTEMS STRUCTURE BUDGET YEAR 2004 BUDGET SUBMISSION

OVERVIEW

In previous “Financial Management Systems Structure” plans, the Department of the Treasury defined its strategy for improving its financial management systems. For fiscal year 2004, the Department will be continuing to implement this strategy. The target financial management systems structure is embodied in the Department’s Financial Analysis and Reporting System (FARS). The FARS structure provides the bureaus with the flexibility necessary to meet their unique business needs as well as the data standardization and integration tools needed to meet the Department’s reporting and financial management analysis needs. The Department uses FARS to produce its Performance and Accountability Report, receiving an unqualified audit opinion.

The Department’s target structure consists of bureau financial management systems, the Treasury Information Executive Repository, and CFO Vision™. Bureaus submit summary-level financial data to TIER on a monthly basis, within three business days. The data is then loaded into CFO Vision™, an Online Analytical Processing tool to produce monthly financial management reports. This structure enables the Department to produce its quarterly and annual financial statements. In addition, the target systems structure includes the Performance Reporting System (PRS) which will enable the Department to more effectively integrate program performance and financial management.

Treasury is continuing to implement this strategy to meet the needs of the bureaus and the Department.

I. BASELINE

A. An Overview of Treasury's Current Departmental Financial Management Systems Structure

Treasury bureaus maintain their own financial and mixed systems to support their unique business needs. The Department maintains a Treasury-wide financial management data warehouse—the Treasury Information Executive Repository (TIER)—for meeting Departmental consolidation, analysis, and reporting requirements. TIER receives monthly data from the various bureau core financial systems and provides users with a universal and comprehensive view of data that are standardized and consolidated. CFO Vision™, a commercial off-the-shelf (COTS) system, is an analytical tool that is used with the TIER data to perform analysis and to generate financial statements and reports on both a Department-wide and bureau level basis.

1. Bureaus

The Department's Inventory of Financial Management Systems reflects Treasury's current baseline of financial management and mixed systems. As of September 2002, the Department's Inventory of Financial Management Systems lists a total of 186 financial and mixed systems.

For the core financial systems, the Department's bureaus currently use COTS software packages including American Management System’s (AMS) Federal Financial System (FFS) software, PeopleSoft product, Computer Associates accounting software, Federal Success software, and software from Computer Data Systems, Inc. As bureaus implement new replacement financial management systems, these systems are generally being installed without any significant modifications.

A number of Treasury's bureaus provide cross-servicing to other bureaus and reporting entities. This enables smaller bureaus to have access to core financial systems without having to maintain the necessary technical and systems architectures. For example, the Financial Management Service (FMS) and Departmental Offices (DO) have migrated their administrative accounting functions to the Bureau of the Public Debt (BPD) and the Office of Thrift Supervision (OTS) plans to be cross-serviced by BPD. The Office of the Inspector General is being cross-serviced by the Department of the Interior. In addition, both the U.S. Customs Service (Customs) and Internal Revenue Service (IRS), cross-service other Treasury bureaus and some reporting entities are cross serviced for other financial management services, such as electronic travel processing.

2. The Department

On a Departmental basis, Treasury's Office of the Deputy Chief Financial Officer (DCFO) maintains financial management systems that consolidate data from all bureaus. These systems provide the capability to review data at both the Departmental and bureau levels. The DCFO's systems are TIER; CFO Vision™, and the Inventory, Tracking and Closure System (ITCS). The Department also uses PRS to track and report on bureau performance measurement indicators. These systems form the basis of FARS. FARS enhances the Department's capability to analyze its financial data and produce its consolidated financial statements.

On April 11, 2001, the Secretary of the Treasury challenged the bureaus to improve their reporting capabilities over the next 15 months by moving to a 3 day, monthly closing of the Treasury's books by no later than July 3, 2002. This challenge was met by implementing changes in systems, administrative and program financial processes, internal and management controls, audit processes, and management information reporting. Furthermore, these changes enabled Treasury to meet the accelerated dates for the development of the Fiscal Year 2002 and beyond Treasury financial statements.

B. Description of the FARS applications

1. Treasury Information Executive Repository (TIER)

The Department maintains TIER to meet Departmental consolidation, analysis, and reporting needs. TIER is a Departmental data warehouse which receives summary level financial data from bureaus and other reporting entities. On a monthly basis, Treasury bureaus and reporting entities extract summary financial data from their respective core financial management systems and transmit those data to TIER. TIER performs automated data validation and edit checks on the bureau data, ensuring that TIER data meet Departmental and Government-wide data standards. Both Departmental and bureau users are able to generate financial management reports using TIER.

TIER is one of the primary elements of Treasury's Department-wide financial systems integration and standardization strategy. TIER was developed in 1994 and consolidates summary financial data from all Treasury bureaus. TIER was a significant factor in the Office of Inspector General's (OIG) 1995 decision to recommend that the Department be removed from the Office of Management and Budget's (OMB) High Risk List for "lack of effective management oversight of systems development activities." TIER contains the structured data necessary to prepare annual audited consolidated financial statements required by the Government Management Reform Act (GMRA) of 1994 (Public Law 103-356).

The Department has made significant progress during the past several years in working with bureaus to improve the quality and the comprehensiveness of the data submitted to TIER. A data collection plan was developed for collecting the data elements needed for the Department's consolidated financial statements. New data element requirements were implemented to collect additional financial data and bureaus have completed modifying their core financial systems to provide these additional data elements to TIER. Additional data validation edits were added to TIER to ensure that the data meets Departmental and government-wide standards. In FY 2000, the Department was able to submit FACTS II budgetary data to FMS through a host to host transfer to the Financial Management Service. In FY 2002, all available FACTS II data was successfully transferred to FMS via TIER.

Departmental staff have been reviewing and analyzing the quality of data submitted by the bureaus and have been reporting the results of these analyses to the bureaus at both the executive level, through the Treasury Chief Financial Officers Council (TCFOC), and the staff level. Analysts in the Office of the DCFO work continually with bureau staff to clarify new and existing TIER data standards. Some of this analysis has prompted the Department to implement additional data validation edits in TIER, which will help to further improve the quality of the data transmitted to TIER. Based upon the improved data quality, the Department was able to produce the fiscal year 2000 consolidated financial statements using the TIER data and CFO Vision™. As a result of this effort, Treasury produced its fiscal year 2000 consolidated financial statements and received its first unqualified audit opinion. The Department continues to use this process to collect financial data and produce its financial statements and reports.

2. CFO Vision™

The CFO Vision™ component of FARS is used to analyze and report on Treasury's proprietary and budgetary financial data. The monthly financial data transmitted to TIER is consolidated and validated through extensive TIER edits. The data is extracted to CFO Vision™ to be processed for analyses and *ad hoc* management reports, as well as to produce the Department's consolidated financial statements.

During the past three years, Departmental staff have worked with the CFO Vision™ vendor, the SAS Institute, to develop report templates for generating Treasury's financial statements. Thus far, report templates have been developed for five of the six required financial statements:

- Consolidated Balance Sheet
- Consolidated Statement of Custodial Activity
- Consolidated Statement of Changes in Net Position
- Combined Statement of Budgetary Resources
- Consolidated Statement of Net Cost

For FY 2002, the system produced the five statements. CFO Vision™ did not produce the Statement of Financing since it did not contain all of the data necessary to complete it. This statement has been developed and configured for FY 2002 and will be used to test the methodology for whenever the data becomes available from the Reporting Entities. Using CFO Vision™ has proven very helpful to Departmental staff in reviewing the quality of TIER data. CFO Vision™ was also used to prepare two new types of reports in FY 2002:

- the new Monthly Financial Management Reports (MFMR) that are sent to the Secretary as part of the Three-Day Close program. The new MFMR and standard financial statements were successfully prepared and ready for delivery by noon of the fourth business day of the month.

- several of the required footnotes or supplemental notes for the Accountability Report that required data that was already collected in TIER. This eliminated the need for the bureaus to prepare these notes.

3. *The Inventory, Tracking and Closure System (ITCS)*

The ITCS is an essential tool in the Department's compliance with the Federal Managers' Financial Integrity Act (FMFIA) of 1982 (Public Law 97-255) and the Inspector General Act Amendments of 1988 (Public Law 100-504). The ITCS provides support in the Department's efforts to enforce and improve management controls and address audit findings, many of which have potential monetary benefits.

The ITCS is a Department-wide, interactive, real-time system which includes key information on audit reports issued by the Inspector General for Treasury (IGT), and the General Accounting Office (GAO). The system contains a number of automated reports for monitoring and highlighting matters that need to be addressed by Departmental and/or bureau management. ITCS users can track information on audit reports from the date of issuance through the completion of all action items. In addition, bureaus are now entering Federal Financial Management Improvement Act (FFMIA) remediation plan remedies and interim due dates in ITCS.

Data on audit findings and recommendations are input to the ITCS, as are bureau planned corrective actions for implementing the recommendations. Bureau users can also update the current status of those corrective actions on a continuing basis.

During fiscal year 2002, the Department completed most of the development work on a system designed to replace the ITCS. The replacement system is called the Joint Audit Management Enterprise System (JAMES). [The JAMES provides new functionality and takes advantage of improved technology by providing information to bureau and Department users via the Treasury Intranet. The JAMES was released into production in January 2003 after a thorough parallel test.]

4. *Performance Reporting System (PRS)*

Treasury has implemented a Strategic Management Process to guide the Department's operations and improve performance. Managing and evaluating programs through the measurement of results is a key part of this process. The PRS is a tool designed to help achieve this by giving policy officials, program managers, and staff access to performance information. The PRS is a web-enabled database of Treasury's Government Performance and Results Act (GPRA) performance data. It became operational in FY 1999 and is now accessed and updated through the internal Treasury Intranet, the TreasNet. The TreasNet is available to all Treasury employees through their browsers, but is not available to the public.

5. *FAIR ACT Automated Data Collection System*

The Office of the Procurement (OP) has successfully submitted Treasury's consolidated annual inventory report to the Office of Management and Budget. As a result of implementing the FAIR Act Automated Data Collection System, the overall process for submitting the inventory to OMB was much more effective and efficient. In July the Fair Act System project team will meet to discuss lessons learned from Phase I and the requirements for Phase II. Phase II will include a more robust competitive sourcing functionality as well as incorporate enhanced features and add new reports onto the system.

6. Cost Management

On February 7, 2001, Treasury's Office of the Deputy Chief Financial Officer issued Accounting Policy Memorandum Number OAIC 01-02, "Implementation of Managerial Cost Accounting" to bureau CFOs and DCFO's as assistance for complying with Statement of Federal Financial Accounting Standards No. 4 "Managerial Cost Accounting Standards." On August 28th, 2002 the Treasury Offices of the DCFO and Performance Budgeting agreed to a joint effort to advance development and use of managerial cost accounting at Treasury bureaus. Efforts will be through and with a committee of the Treasury CFO Council to address labor cost distribution methodology. As labor is the major component of Treasury cost, a broader charter for the group to include managerial cost accounting is natural. The agreement was spurred by desires to have better information for program managers to increase effectiveness and efficiency, enable better informed performance based budget formulation, and more informative and compliant external reporting. This effort, along with implementation of a model Departmental Offices pilot accounting to capture performance/financial data will be a key strategy in advancing Treasury's cost accounting and linking of resources to results.

Data Standardization

One of the key factors in producing timely, reliable, and relevant financial information-as well as auditable financial statements-is accurate and standardized data. As part of the TIER consolidation, data are standardized to facilitate reporting. Although a great deal of financial data standardization work was accomplished during the first years of TIER development, the Department's Financial Systems Policy Committee established a Financial Data Standards Subcommittee (FDSS) to continue this data standardization work.

The main goal of the data standardization effort is to enable the Department to consolidate consistent financial data, providing managers with the financial information they need to manage their programs. The three major components of these recommendations were (1) to standardize the budget object class at a 3-digit level (from the 2-digit level), (2) to standardize the Standard General Ledger (SGL) accounts throughout Treasury by using a Treasury-specific Chart of Accounts and (3) to standardize the input of Treasury Fund Symbols. These recommendations, along with a recommendation to implement a data stewardship process, were approved by the TCFOC.

During fiscal year 2001, the FINSTAD database was migrated from the contractor's site to the Treasury servers. Now that the database resides within the Treasury firewall, only authorized Treasury personnel have access to it. In addition, the Data Stewards have the option of updating the FINSTAD database at any time with current TIER data. During fiscal year 2002, the data stewards updated the database with current data created from TIER extract files. Treasury is in the process of bringing technical support in-house as there are now Lotus Notes developers on staff at the Treasury Communications Service (TCS).

Implementation of Department-wide Systems

As appropriate, Treasury is working in partnership with its bureaus to migrate toward single, common systems. For example, the Department is currently working with the bureaus to design, develop, and implement a new automated human resources (HR) system which will be driven by business requirements and based on a suite of COTS products, with the PeopleSoft Human Resources Management System as the core.

In studying the current configuration of legacy HR systems used throughout the bureaus, the Department found that these legacy systems rely in most cases on outdated technology, use inefficient processes, and

are extremely expensive to use and maintain. Also, these systems often require redundant data entry, do not consistently provide timely or accurate information, and are difficult to use.

The new HR system will provide the Treasury workforce with a flexible array of HR services that are readily accessible, highly efficient, and easy to use. Working with a single integrated system will assist in streamlining personnel processes and make it easier to access and compile information accurately and in a timely manner. In addition, the new system will support strategic HR services, such as succession planning, career development, and staffing alternatives.

By implementing a common system which will be used by all its bureaus (and by replacing multiple legacy personnel systems), Treasury will be able to achieve cost savings in systems operation and maintenance. The Department will also achieve savings by improving the productivity of HR and other administrative staff, as well as by reducing costs for recruitment and turnover.

Federal Financial Management Improvement Act Remediation Plans

Based on the FY 2000 financial statement audits, five Treasury bureaus were found to be not in substantial compliance with the Federal Financial Management Improvement Act of 1996: IRS, Customs, FMS, Office of the Comptroller of the Currency, and the Mint.

In accordance with Section 803 (c)(3)(A) of the FFMIA, the non-compliant bureaus prepared Remediation Plans to bring their systems into substantial compliance. These bureaus continue to work according to their plans in order to achieve compliance with the FFMIA. Bureaus report on the status of their FFMIA compliance efforts to the Department's DCFO organization on a quarterly basis. These remediation plans are then submitted to the Office of Management and Budget (OMB) for review. As a result of the magnitude of the remedies to correct these non-conformances, the Department is working with OMB to ensure compliance with the terms of the Act. OMB has granted a waiver to the IRS to the requirement to complete its remediation plan within three years. Quarterly meetings are held with OMB to review the status of the plans.

During fiscal year 2002, the bureaus made significant progress in implementing their remediation plans. The Office of the Comptroller of the Currency implemented its new financial system which corrected their FFMIA non-conformance. IRS is continuing to implement its business modernization projects. Both the Mint and FMS are addressing system security weaknesses. They anticipate that their systems will be in conformance as a result of their remedial actions.

II. TARGET STRUCTURE

Future Departmental Financial Management Systems Structure

Treasury's target financial management systems structure will build upon the FARS foundation already established. FARS will be the primary element of the Department's enterprise target structure. As indicated earlier, because of the Department's progress in implementing the CFO Vision™ software, Treasury's FARS structure now serves as both the baseline and the target enterprise financial management systems structure.

FARS is collecting a variety of financial management data, currently the proprietary and budgetary accounting data. FARS includes the following components:

- (1) bureau core financial systems which feed summary financial data to the Department;

- (2) the Treasury Information Executive Repository (TIER), a financial data warehouse containing summarized and consolidated financial data; and
- (3) CFO Vision™, a COTS on-line analytical processing (OLAP) decision support tool, which is used for financial analysis and reporting.

In the FARS structure bureaus continue to maintain their own financial management systems. Bureaus and other reporting entities submit monthly summary data to the central data warehouse, TIER, for consolidation, data validation, and other edit checks. From TIER, the data is exported to CFO Vision™ for analysis and reporting.

In the long term, as FARS is expanded to collect additional financial data, it may be necessary to implement additional OLAP decision support tools to satisfy management's informational needs. While CFO Vision™ is used to produce the Department's consolidated financial statements and analyze budget and accounting data, additional COTS packages may be used for managerial cost accounting, assessing performance measurement, and other management information requirements as identified. The FARS tools will perform analyses and generate reports based on the consolidated Departmental data in the financial data warehouse and will also provide drill-down capabilities for analysis of financial data.

Beginning in FY 2002, bureaus and other reporting entities began entering data to FARS via the Treasury-wide Intranet. FARS is based on ORACLE databases; those databases migrated from the Department's VAX cluster to Windows NT servers. FARS uses graphical user interfaces as well as state-of-the-art decision support tools to administer the system and develop forms and reports.

The Department's target enterprise financial management systems structure does not call for a single Treasury-wide financial management system. Rather, the structure strikes a balance between the need to accommodate the unique data requirements of the bureaus and the Department's need for standardized, consolidated Treasury-wide data. Although Treasury does not currently have specific plans to develop any Department-wide financial management systems, (beyond the centralized HR system), the Department will evaluate opportunities for consolidating systems across bureaus, as appropriate. Treasury's bureaus will continue to enhance their financial and mixed systems to meet their specific missions. These systems will be implemented and maintained in accordance with all government and Department standards, including OMB Circular A-127, JFMIP system requirements, the Clinger-Cohen Act, etc. In addition, these systems will provide standardized financial data to the Department for consolidation and reporting.

III. PROJECTS REQUIRED TO MOVE FROM BASELINE TO TARGET

The following is a list of systems-related projects which will be essential in implementing the FARS target financial management systems structure.

FARS Implementation Project

The first step in the Department's migration to its FARS target structure is the complete implementation of the CFO Vision™ tool. FARS, utilizing the summary financial data submitted by the bureaus, will generate the required combined and consolidated financial statements, in accordance with OMB's Form and Content bulletin.

A schematic showing the process followed to produce these statements, along with the associated footnotes and other components of the Accountability Report, is found in Figure 2. In addition to producing the financial statements, FARS will provide Departmental and bureau financial managers with the capability to produce *ad hoc* reports for internal management reporting.

CFO Vision: Phase I

The CFO Vision™ software is being implemented in phases. At the end of Phase I, the CFO Vision™ tool produced Treasury's consolidated Departmental financial statements for FY 2000. Phase I was completed with the production of Treasury's fiscal year 2000 Accountability Report.

The Office of the DCFO worked with representatives from OMB, GAO, the Treasury OIG, the FASAB, and Treasury's FMS to finalize the Department's financial statement formats and content, including the required footnotes. These formats formed the basis of the Department's consolidated reporting. For footnotes using data already in TIER, CFO Vision will be used to prepare the added notes.

The data sets which bureaus have transmitted to TIER beginning in FY 1999 were expanded to include additional data elements needed for producing the financial statements. Treasury completed modifications to their core financial systems to collect these additional data for submission to TIER. The Department is working, and will continue to work, with all bureaus to verify data submitted to TIER are of the high quality necessary to serve as the basis for the Department's consolidated financial statements.

CFO Vision: Phase II

Phase II of the CFO Vision™ implementation involves (1) expanding the CFO Vision™ tool for use by bureaus and other offices within the Department, and (2) developing and implementing additional financial management reports. CFO Vision™ will be made available to all bureaus via the Department's Intranet website. With the full implementation of the latest vendor release, the bureaus will be able to access CFO Vision™ data and generate financial management reports. In addition, bureaus will be able to access CFO Vision™ data using Microsoft Excel spreadsheets.

The progress of the Web-enabled rollout to bureaus will depend on resolving additional firewall and Internet protocol issues, and the potential requirement to immediately maintain data on two servers across Departmental Offices' firewall. With the full implementation of CFO Vision™ at Departmental Offices and the rollout of reporting and analytical capabilities to Treasury bureaus, Phase II of the project will be completed. The Department will continue to work with the vendor to enhance the software to better meet its financial management needs.

TIER

TIER plays an important role in producing the Department's consolidated financial statements by serving as a data warehouse for bureau financial data. The TIER data is extracted to CFO Vision™ for the actual production of financial statements. The Department used the TIER data to prepare the fiscal year 2002 Treasury Accountability Report.

TIER plays another important role in financial reporting by transmitting financial data to the Federal Agency Centralized Trial-Balance System (FACTS) on behalf of Treasury bureaus. This includes both the FACTS I and FACTS II submissions. As a result of this centralized submission, the bureaus' financial data agreed with the data amounts reported in both the Department's Accountability Report and federal government's financial statement.

CFO Vision

CFO Vision™ is currently operating on Version 3.2, which was installed in July 2002. This version will allow the contractors to perform consolidations more easily as well as other improvements in speed and capability. CFO Vision™ will also become web-enabled allowing easier access for the user community.

A CFO Vision™ archiving plan developed the previous year was fully implemented. The archiving plan's primary purpose is to preserve a clear audit trail from the TIER data extract file to the CFO Vision™ data consolidations and report templates. These templates are applied to consolidations to create the various financial statements and other financial reports, notes, and tables. The archiving plan was made part of the CFO Vision™ Users Manual that was recently developed and submitted for approval.

Inventory, Tracking and Closure System

The Department has completed development of the JAMES, which replaces the ITCS. The JAMES provides enhanced functionality, tracks certain additional data, and increases user-friendliness. In addition, the JAMES is a web-based system accessible to all authorized users via the Treasury Intranet (TreasNet). Parallel testing of the JAMES with the existing ITCS began in October 2002 and continued through the first quarter of Fiscal Year 2003. It was fully implemented throughout the Department in January 2003.

Performance Reporting System

To date, bureaus have input to the PRS the same performance data reported in the annual budget submission, and a mid-year performance report. In the future, the Department expects to move to more frequent reporting of performance information. Current development efforts are focused on updating performance data in PRS electronically by files generated by each bureau's source systems, rather than manually via the Intranet, as is now the case. (This concept was successfully proven through an IRS pilot.)

In addition, planned enhancements include providing historical data, in graphical form, to show past performance for each measure, and ready access to verification/validation information.

General discussions about integration of systems containing budget, costing and performance data are taking place. This integration would be used to provide information to policy officials, program managers, and staff to make resource and budget decisions pertaining to performance.

Data Standardization

During FY 2001, the project was completed and the Treasury Financial Standards database (FINSTAD) was relocated from the Lotus Notes servers of InfoPro, Inc. to the Treasury Lotus Notes Server. This transfer allows the users to access FINSTAD through the Treasury Intranet. The data stewardship process was also completed in FY 2001. Implementation of the data stewardship program enables the Department to maintain standard data elements in an ongoing environment. Both the FINSTAD users' guide and data stewardship plan are located on the Treasury Intranet.

Data standardization is an important part of the Department's financial systems integration strategy. The data standards that result from the Financial Data Standards Subcommittee's (FDSS) efforts provide consistent definitions of financial data elements and at the same time allow for the uniqueness of bureaus' financial data. The FDSS's data standardization efforts improves the quality of TIER data by increasing completeness, reliability, consistency, and timeliness. As the quality of TIER data improves, the Department is better able to manage its financial resources and produce more timely, accurate, and consistent financial information.

GRANTS MANAGEMENT WITHIN THE DEPARTMENT OF THE TREASURY

Tasked with responsibility for managing much of the Federal Government's finances, the Department of the Treasury administers several grant programs. These programs are managed in accordance with Government-wide requirements. The majority of the Department's grant funds are administered by the Community Development Financial Institution (CDFI) Fund. Smaller amounts are managed by the Internal Revenue Service (IRS).

I. GRANT PROGRAMS

Internal Revenue Service

The IRS administers two grants programs under the Wage and Investment Operating Division: the Tax Counseling for the Elderly (TCE) Program and the Low income Taxpayer Clinic (LITC) Grant Program. The IRS has revised the LITC Grant program requirements to ensure that grantees' program plans reflect overall IRS mission and goals. Grantees are required to state in their grant application program plan how their specific program plan relates to the achievement and goals of the LITC statute and accomplishment of the IRS mission. This change in the grant program allows the IRS to track grantee program accomplishments and assists the IRS in meeting its GPRA reporting requirements.

Community Development Financial Institutions Fund

The Community Development Financial Institutions Fund (CDFI Fund) promotes economic revitalization and community development through investment in and assistance for CDFI Fund-certified community development financial institutions (CDFI's) through the CDFI Program. Through the CDFI Program, the CDFI Fund makes financial investments in and supports financial institutions around the country that are specifically dedicated to financing and supporting community development activities. This strategy builds strong institutions that make loans and investments and provide financial services to markets (including economically distressed investment areas and disadvantaged targeted populations) whose needs for loans, investments, and financial services have not been fully met by traditional financial institutions.

II. IMPLEMENTING GRANT POLICY REQUIREMENTS

Treasury bureaus adhere to Office of Management and Budget (OMB) and other Government requirements to ensure that grantees are treated consistently.

Internal Revenue Service

Applications for grant awards are solicited each year from qualified organizations in full compliance with OMB Circulars A-110, A-21, A-122, and A-133. These and other grant requirements and regulations are part of the program guidelines for each grant program and are also incorporated into each grant agreement that is signed by both parties prior to grant funds disbursement.

SIGNIFICANT ACCOMPLISHMENTS

Several accomplishments took place in fiscal year (FY) 2002. Some of the more significant ones include:

- Developed and implemented within the Office of the Deputy Chief Financial Officer (DCFO) a Health and Safety Program to eliminate unhealthful and unsafe working conditions and to reduce injuries. The Program's primary focus is to assure that every DCFO employee experiences a healthy and safe work environment on a daily basis.
- The Department received another clean audit opinion on its FY 2001 financial statements, and issued the FY 2001 Accountability Report to OMB and Congress by the statutory due date of February 27, 2002. Major steps were also taken to accelerate the completion of the FY 2002 combined Performance and Accountability Report. (The FY 2002 report was actually completed and issued on November 15, 2002. The Office of Inspector General rendered an unqualified opinion on the Department's FY 2002 financial statements included in the report.)
- In April 2001, Secretary O'Neill challenged the CFO's of Treasury to close the financial books by the third business day following the close of each month within a 15-month time frame. The June 30, 2002 deadline was met by all bureaus, with many bureaus accomplishing this goal prior to the deadline.
- A monthly scorecard was developed to evaluate bureau progress in closing their financial books by the third business day, and also to evaluate the quality of data reported to the Department's Financial Analysis and Reporting System (FARS).
- In conjunction with the 3-day close, a Monthly Financial Management Report on key budgetary information was developed and distributed to the Secretary and senior management at the Department and bureaus. This report, prepared from the FARS, works towards improving data quality by providing more visibility of these key data, and additional data elements will be added to the report to provide additional useful management information.
- The Department and bureaus continue to improve data quality in the FARS by analyzing quarterly financial statements on an on-going basis. This analysis provides valuable benefits in ensuring the accuracy of financial information reported in FARS. It also enabled the Department to accelerate issuing our audited financial statements on November 15, 2002, two years ahead of the 2004 OMB requirement.
- Treasury continued its effort in establishing an Audit Committee within the Department, and has participated in the development of the JFMIP initiative on a government wide audit committee.
- The Department successfully transmitted both financial data and budgetary data to the FACTS I and FACTS II systems in FY 2002 using the FARS. Treasury has been the leader, among agencies with decentralized financial management systems, in transmitting FACTS data using a Department-wide financial reporting system.

- Treasury also enhanced its reporting process for the Department-wide consolidated financial statements for FY 2001 by automating several footnotes and supplemental information using the FARS. In addition, an automated checklist, using Microsoft Excel, was developed to compare amounts reported in footnotes and their corresponding financial statement line items. This checklist helped to identify any differences immediately, and enable the Department to reconcile these differences quickly to meet the statutory due date for the Accountability Report.
- The Department's increased emphasis on reducing material weaknesses during the year has resulted in a reduction to 20 from 29 at October 1, 2001. During FY 2002, Treasury had a net decrease of nine material weaknesses. While seven new material weaknesses were declared, the Department closed or downgraded ten material weaknesses and consolidated another eight similar weaknesses into two. Thus, twenty material weaknesses were outstanding as of September 30, 2002.
- The TIER system was web-enabled and rolled out to the bureaus via the Treasury Intranet. This resulted in significant time savings in data submission, making key financial information available through TreasNet. TIER was also used to submit Treasury's financial data to the Financial Management Service for government wide financial consolidation and reporting.
- The Department upgraded its CFO Vision product to the latest vendor release. This has resulted in improved processing time and establishes the foundation for rolling out system capabilities to the bureaus via TreasNet.
- Treasury developed and implemented the new FAIR Act system to capture a) key data in compliance with the FAIR Act and b) report that data in an automated format to the Office of Management and Budget.
- The Department initiated a project to replace its current Inventory Tracking and Closure System. The new system will maintain the Department's inventory of material weaknesses /audit findings and the status of planned corrective actions. It will be a web-based system and available on the TreasNet. The project team is working with the systems security office to ensure that appropriate security controls are part of the system design. The system will receive an initial Interim Authority to Operate, followed by a Certification and Accreditation.
- The DCFO's Office finalized its Continuity of Operations Plan (COOP). This plan will enable the DCFO to perform critical operations in the event of a national emergency.
- Treasury bureaus made progress in their efforts to improve their financial management systems. The Office of the Comptroller of the Currency implemented its new integrated financial management system to process and maintains its financial records. The Internal Revenue Service has selected its new integrated financial system, which will process and maintain the financial records for both the administrative and revenue activities.
- Treasury held its third annual financial systems symposium. In excess of 100 Treasury employees attended this symposium. Topics covered included improving financial management, enterprise systems, and systems security. In addition, several Treasury bureaus provided updates on their efforts to improve financial management.

- The Department provided government-wide leadership in Competitive Sourcing. Treasury chaired a federal Competitive Sourcing Working Group to exchange best practices and identify impediments. The Working Group sponsored two extremely successful federal conferences on Competitive Sourcing that were attended by over 1,200 people.
- The Department provided federal leadership on implementing Performance Based Contracting through chairmanship of the PBC Community of Interest and educational presentations to other agencies on how to implement PBC.
- Treasury provided federal leadership in implementing electronic commerce through chairmanship of the Federal Business Opportunities (FedBizOpps) Users Group and coordination of Central Contractor Registration (CCR) across Treasury and other agencies.
- Treasury provided federal leadership in implementing Section 508, accessibility contracting, through development of training and guidance which was adopted by multiple agencies.
- Treasury received two prestigious awards: the Frances Perkins Vanguard Award for exemplary utilization of women-owned small businesses and the Gold Star Award for exemplary performance in small business procurement accomplishments.